

**CITY OF WEST BEND, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2004**

# City of West Bend, Iowa

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# City of West Bend, Iowa

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**City of West Bend, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Laura Montag	Mayor	12-31-03
Joe Eoriatti	Mayor Pro Tem	12-31-05
Mary Jane Hanselman	Council Member	12-31-03
Joe Montag	Council Member	12-31-03
Bill Hoskins	Council Member	12-31-03
Jeff Miller	Council Member	12-31-05
<b>(After January 2004)</b>		
Robert Klepper	Mayor	12-31-05
Joe Eoriatti	Mayor Pro Tem	12-31-05
Jeff Miller	Council Member	12-31-05
Mary Jane Hanselmen	Council Member	12-31-05
Paul Lauck	Council Member	12-31-07
Joe Montag	Council Member	12-31-07
Lisa Sewell	Clerk	Indefinite
Ardith Knecht	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Bend's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, for the year ended June 30, 2004, the City of West Bend adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial

Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2004 on our consideration of the City of West Bend's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Bend's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statement. Other supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

July 30, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of West Bend's Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2004.

Because the City of West Bend is implementing new reporting standards for this fiscal year, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### FINANCIAL HIGHLIGHTS

- The assets of the City of West Bend exceeded liabilities at June 30, 2004 by \$5,784,571. Of this amount, \$3,232,470 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$461,459 during the year. Of this amount the assets of governmental activities increased \$221,546 and the assets of business activities increased by \$239,913.
- Total debt increased by approximately \$1,595,935 during the 2003-2004 fiscal year. The City issued \$1,688,935 of new bonds/notes and retired \$93,000 of existing bonds/notes.

### USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- ***Management's Discussion and Analysis*** – introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- ***Government-wide Financial Statements*** – consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- ***Fund Financial Statements*** – tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- ***Notes to Financial Statements*** – provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- ***Required Supplementary Information*** – further explains and supports the financial statements by showing budgetary comparisons.

- ***Other Supplementary Information*** – provides detailed information about the non-major governmental funds.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies.

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. The statements report the City's net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities are divided into two activities:

- ***Governmental Activities*** – Most of the City's basic services are reported here. They include Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax and state and federal grants finance most of these activities.
- ***Business Type Activities*** – This activity includes the Waterworks, the Sanitary Sewer System, the Electric Utility, the Gas Utility and the Solid Waste/Recycling Collection. These activities are financed primarily by user charges.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- ***Governmental Funds*** – These funds account for most of the City's basic services. The accounts focus on how money flows into and out of those funds and the balances at year-end that is available for spending. The governmental funds include 1) General Fund; 2) Special Revenue Funds; 3) Debt Service Fund; and 4) Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The financial statements required for



governmental funds includes a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ***Proprietary Funds*** – The Proprietary Funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Enterprise Funds include the Water, Sewer, Electric, Gas and Solid Waste activities which are all considered major funds of the City. The financial statements required for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2004.

	Governmental Activities	Business Type Activities	Total
Current and Other Assets	\$ 437,927	4,140,596	4,578,523
Capital Assets	247,638	3,918,433	4,166,071
Total Assets	685,565	8,059,029	8,744,594
Long-term Liabilities	413,709	2,228,236	2,641,945
Other Liabilities	224,207	93,871	318,078
Total Liabilities	637,916	2,322,107	2,960,023
Net Assets:			
Invested in Capital Assets, Net of Related Debt	182,638	1,698,477	1,881,115
Restricted	151,380	519,606	670,986
Unrestricted	(286,369)	3,518,839	3,232,470
Net Total Assets	\$ 47,649	5,736,922	5,784,571

\$670,986 of the City of West Bend's net assets (11.6%) represents resources that are subject to external restrictions of their use. The remaining balance of unrestricted net assets (\$3,232,470) may be used to meet the City's ongoing obligations to citizens and creditors.

The City of West Bend, as a whole, is able to report positive balances in all three net asset categories for fiscal year ending June 30, 2004.

Net assets of governmental activities increased from FY03 by approximately \$168,914 or 3.2%. Net assets of the business type activities increased from FY03 by approximately \$291,425 or .9%.

The following analysis provides the changes in the net assets for the City's governmental and business type activities.

	Governmental Activities	Business Type Activities	Total
Program Revenues:			
Charges for Service	\$ 11,269	2,012,882	2,024,151
Operating Grants, Contributions & Restricted Interest	238,078	–	238,078
Capital Grants, Contributions & Restricted Interest	–	–	–
General Revenues:			
Property Tax for General Purposes	178,664	–	178,664
Property Tax for Debt Service	15,142	–	15,142
Tax Increment Financing Revenue	94,079	–	94,079
Local Option Sales Tax	42,204	–	42,204
Local Hotel Motel Tax	14,439	–	14,439
Unrestricted Investment Earnings	5,897	41,629	47,526
Miscellaneous	22,423	27,120	49,543
Transfers	63,450	–63,450	–
Total Revenue	685,645	2,018,181	2,703,826
Program Expenses:			
Public Safety	78,128	–	78,128
Public Works	45,277	–	45,277
Culture & Recreation	120,654	–	120,654
Community & Economic Development	166,895	–	166,895
General Government	31,188	–	31,188
Debt Service	21,957	–	21,957
Water	–	115,825	115,825
Sewer	–	94,675	94,675
Electric	–	895,831	895,831
Gas	–	591,802	591,802
Other Non-major	–	80,135	80,135
Total Expenses	464,099	1,778,268	2,242,367
Increase in Net Assets	221,546	239,913	461,459
Net Assets July 1, 2003	(173,897)	5,497,009	5,323,112
Net Assets June 30, 2004	\$ 47,649	5,736,922	5,784,571

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At June 30, 2004, the City of West Bend's governmental funds reported a total fund balance of \$456,199. This is less than the \$465,680 total fund balance at June 30, 2003. The following are main reasons for the changes in fund balances of the major governmental funds from the prior year.

- **General Fund** – The General Fund (operating fund for the City of West Bend), ended FY04 with a \$304,819 balance compared to the previous year ending fund balance of \$325,298. This decrease is due to the purchase of a new street sweeper, carpet and computers for the library and the replacement of the swimming pool heater.
- **Road Use Fund** – The Road Use Fund, ended FY04 with a \$43,607 balance compared to the previous year ending fund balance of \$46,888. This decrease is due to the purchase of the new street sweeper.
- **Tax Increment Financing Fund** – The Tax Increment Financing Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal projects. This fund ended FY04 with a \$1,991 balance compared to the previous year ending fund balance of \$1,254.
- **Debt Service Fund** – The Debt Service Fund ended FY04 with a \$(10,496) deficit balance compared to the previous year ending deficit balance of \$(10,583). The deficit fund balance is a result of making an interest payment prior to the collection of debt service revenues. This fund will be in a deficit position until the final year of the bond issue when the property taxes levied will balance out the account.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- **Water Fund** – The Water Fund, which accounts for the operation of the City's water system, ended FY04 with a \$827,380 net asset balance compared to the prior year ending net asset balance of \$838,862. This decrease is due to system repairs.
- **Sewer Fund** – The Sewer Fund, which accounts for the operation of the City's wastewater treatment and sanitary sewer system, ended FY04 with a \$540,749 net asset balance compared to the prior year ending net asset balance of \$491,955.
- **Electric Fund** – The Electric Fund, which accounts for the operation of the municipal electric utility, ended FY04 with a \$3,007,393 net asset balance compared to the prior year ending net asset balance of \$2,906,017.
- **Gas Fund** – The Gas Fund, which accounts for the operation of the municipal gas utility, ended FY04 with a \$1,347,658 net asset balance compared to the prior year ending net asset balance of \$1,251,036.

## **BUDGETARY HIGHLIGHTS**

During the fiscal year ending June 30, 2004, the City amended it's budget once. The amendment was approved in May 2004. The amendment provided for additional disbursements due to unplanned expenses and disbursements associated with projects that carried over from the prior fiscal year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The City's investment in capital assets, including land, buildings, and improvements, equipment, streets, storm sewer system, traffic controls and other infrastructure, represents the value of resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$247,638 (net of accumulated depreciation) at June 30, 2004. Capital assets for business type activities totaled \$3,918,433 (net of accumulated depreciation) at June 30, 2004.

The major capital outlays for governmental activities during the fiscal year included the purchase of a street sweeper, fire truck, loader and street improvements.

For major business activities, major additions included the purchase of an electric line truck, electric line rehabilitation, and water main and tower improvements.

Construction in progress for governmental activities consists of a street and storm sewer improvements project.

Construction in progress for business activities consists of a sanitary sewer improvements project and a share in ownership of the Council Bluffs #4 power plant facility that is being built.

### ***Long-Term Debt***

At June 30, 2004, the City of West Bend has \$412,979 in long-term debt for the governmental activities. Total long-term debt in the business type activities was \$2,219,956 at June 30, 2004. More detailed information about the City's long-term debt is provided below:

- The City had \$400,000 in general obligation bonds/notes outstanding as of June 30, 2004.
- The City had \$2,194,000 in total revenue bonds/notes outstanding as of June 30, 2004.
- During the year ended June 30, 2004, the City of West Bend issued a total of \$1,650,000 in revenue bonds. These bonds were issued to finance the West Bend Municipal Electric's share of the Council Bluff #4 power plant facility.

## ECONOMIC FACTORS

The City of West Bend's elected and appointed officials and department heads considered many factors when setting the FY05 budget, tax rates and fees that will be charged for various City services and activities. Although property valuations increased slightly over last year, the City expects less revenue from the state, leading to a reduction of approximately \$15,000 in general fund revenue. Because of this anticipated loss of revenue, most of the regular street maintenance will be paid from Road Use revenue instead of general fund revenues. The City has added no major new programs to the 2005 budget.

The tax levy rates per \$1,000 of taxable valuation for FY04 are provided below:

FY04 Levy Rates	
General Levy Rate	\$ 8.10000
Insurance	1.58008
Employee Benefits	1.80101
Debt Service	1.82379
Total	\$ 13.30488

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact City Clerk, City of West Bend, 301 South Broadway Avenue, PO Box 348, West Bend, Iowa 50597 or call (515) 887-2181.

## **Basic Financial Statements**

## Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental	Business	
	<u>Activities</u>	<u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 442,130	3,021,099	3,463,229
Receivables:			
Property tax:			
Delinquent	3,633	-	3,633
Succeeding year	200,500	-	200,500
Customer accounts	-	239,312	239,312
Accounts	411	-	411
Accrued interest	359	2,982	3,341
Due from other governments	20,596	-	20,596
Due from other funds	(240,900)	240,900	-
Inventories	-	108,595	108,595
Prepaid expenses	11,198	23,973	35,171
Bond issuance costs	-	16,717	16,717
Patronage dividends	-	12,000	12,000
Cost of obtaining gas allocation	-	1,650	1,650
Restricted assets:			
Cash	-	473,368	473,368
Capital assets (net of accumulated depreciation)	247,638	3,918,433	4,166,071
<b>Total assets</b>	<u>685,565</u>	<u>8,059,029</u>	<u>8,744,594</u>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	10,652	-	10,652
Accounts payable	9,008	76,435	85,443
Salaries and benefits payable	2,468	2,940	5,408
Sales tax payable	-	1,895	1,895
Deferred revenue:			
Succeeding year property tax	200,500	-	200,500
Interest payable	1,579	6,900	8,479
Liabilities payable from restricted assets:			
Customer deposits	-	5,701	5,701

(continued)

## Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental	Business	
	<u>Activities</u>	<u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Liabilities (continued)</b>			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	75,000	-	75,000
Revenue bonds/notes payable	-	93,000	93,000
Capital lease	12,979	25,956	38,935
Compensated absences	730	8,280	9,010
Portion due or payable after one year:			
General obligation bonds/notes	325,000	-	325,000
Revenue bonds/notes payable	-	2,101,000	2,101,000
<b>Total liabilities</b>	<u>637,916</u>	<u>2,322,107</u>	<u>2,960,023</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	182,638	1,698,477	1,881,115
Restricted for:			
Debt service	(10,496)	-	(10,496)
Other purposes	161,876	-	161,876
Revenue bond retirement	-	51,939	51,939
Electric improvements	-	467,667	467,667
Unrestricted	(286,369)	3,518,839	3,232,470
<b>Total net assets</b>	<u>\$ 47,649</u>	<u>5,736,922</u>	<u>5,784,571</u>

See notes to financial statements.



City of West Bend, Iowa  
Statement of Activities  
Year ended June 30, 2004

Functions/Programs:	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>		<u>Service</u>		
Governmental activities:				
Public safety	\$ 78,128	100	13,688	-
Public works	45,277	-	69,462	-
Culture and recreation	120,654	11,169	20,708	-
Community and economic development	166,895	-	134,220	-
General government	31,188	-	-	-
Interest on long-term debt	21,957	-	-	-
Total governmental activities	<u>464,099</u>	<u>11,269</u>	<u>238,078</u>	<u>-</u>
Business type activities:				
Water	115,825	103,132	-	-
Sewer	94,675	141,855	-	-
Electric	895,831	983,063	-	-
Gas	591,802	700,139	-	-
Other nonmajor	80,135	84,693	-	-
Total business type activities	<u>1,778,268</u>	<u>2,012,882</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,242,367</u>	<u>2,024,151</u>	<u>238,078</u>	<u>-</u>

**General Revenues:**

Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Local hotel/motel tax
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues

Change in net assets  
Net assets beginning of year, as restated  
Net assets end of year

See notes to financial statements.

# Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(64,340)	-	(64,340)
24,185	-	24,185
(88,777)	-	(88,777)
(32,675)	-	(32,675)
(31,188)	-	(31,188)
(21,957)	-	(21,957)
<u>(214,752)</u>	<u>-</u>	<u>(214,752)</u>
-	(12,693)	(12,693)
-	47,180	47,180
-	87,232	87,232
-	108,337	108,337
-	4,558	4,558
<u>-</u>	<u>234,614</u>	<u>234,614</u>
<u>(214,752)</u>	<u>234,614</u>	<u>19,862</u>
178,664	-	178,664
15,142	-	15,142
94,079	-	94,079
42,204	-	42,204
14,439	-	14,439
5,897	41,629	47,526
22,423	27,120	49,543
63,450	(63,450)	-
<u>436,298</u>	<u>5,299</u>	<u>441,597</u>
221,546	239,913	461,459
<u>(173,897)</u>	<u>5,497,009</u>	<u>5,323,112</u>
<u>47,649</u>	<u>5,736,922</u>	<u>5,784,571</u>

City of West Bend, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2004

Exhibit C

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 287,893	154,237	442,130
Receivables:			
Property tax:			
Delinquent	1,211	2,422	3,633
Succeeding year	141,500	59,000	200,500
Accounts	411	-	411
Accrued interest	273	86	359
Due from other governments	13,600	6,996	20,596
Prepaid insurance	<u>11,198</u>	<u>-</u>	<u>11,198</u>
<b>Total assets</b>	<u>\$ 456,086</u>	<u>222,741</u>	<u>678,827</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	10,652	10,652
Accounts payable	7,299	1,709	9,008
Salaries and benefits payable	2,468	-	2,468
Deferred revenue:			
Succeeding year property tax	<u>141,500</u>	<u>59,000</u>	<u>200,500</u>
Total liabilities	<u>151,267</u>	<u>71,361</u>	<u>222,628</u>
Fund balances:			
Reserved for:			
Prepaid expenditures	11,198	-	11,198
Debt service	-	(10,496)	(10,496)
Unreserved, reported in:			
General fund	293,621	-	293,621
Special revenue funds	<u>-</u>	<u>161,876</u>	<u>161,876</u>
Total fund balances	<u>304,819</u>	<u>151,380</u>	<u>456,199</u>
<b>Total liabilities and fund balances</b>	<u>\$ 456,086</u>	<u>222,741</u>	<u>678,827</u>

See notes to financial statements.

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2004

**Total governmental fund balances (page 15)** \$ 456,199

**Amounts reported for governmental activities in the  
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds 247,638

Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds payable	(400,000)	
Accrued interest payable	(1,579)	
Due to other fund	(240,900)	
Capital lease	(12,979)	
Compensated absences	(730)	
	(656,188)	(656,188)

**Net assets of governmental activities (page 12)** \$ 47,649

See notes to financial statements.

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Year ended June 30, 2004

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:			
Property tax	\$ 140,576	52,943	193,519
Tax increment financing	-	94,079	94,079
Other city tax	212	56,719	56,931
Licenses and permits	3,283	-	3,283
Use of money and property	5,575	324	5,899
Intergovernmental	169,089	69,461	238,550
Charges for service	8,478	-	8,478
Miscellaneous	21,455	-	21,455
Total revenues	<u>348,668</u>	<u>273,526</u>	<u>622,194</u>
Expenditures:			
Operating:			
Public safety:			
Police	37,808	12,066	49,874
Civil defense	3,386	-	3,386
Fire	38,099	-	38,099
Animal control	108	-	108
	<u>79,401</u>	<u>12,066</u>	<u>91,467</u>
Public works:			
Roadway maintenance	20,027	99,742	119,769
Storm sewer	4,338	-	4,338
Street lighting	4,970	-	4,970
Traffic safety	1,486	-	1,486
Street cleaning	47,825	-	47,825
	<u>78,646</u>	<u>99,742</u>	<u>178,388</u>
Culture and recreation:			
Library	74,880	14,466	89,346
Parks	4,636	232	4,868
Ice skating	6,122	185	6,307
Community center	2,605	-	2,605
Swimming pool	22,941	1,003	23,944
Other	-	4,200	4,200
	<u>111,184</u>	<u>20,086</u>	<u>131,270</u>

(continued)

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Year ended June 30, 2004

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Community and economic development:			
Economic development	10,877	17,850	28,727
Housing program	146,733	-	146,733
Planning and zoning	535	-	535
	<u>158,145</u>	<u>17,850</u>	<u>175,995</u>
General government:			
Mayor/council	1,797	206	2,003
City clerk/treasurer	3,602	31	3,633
Elections	416	-	416
Legal	4,778	-	4,778
General liability insurance	19,973	-	19,973
	<u>30,566</u>	<u>237</u>	<u>30,803</u>
Debt service	-	87,203	87,203
Total expenditures	<u>457,942</u>	<u>237,184</u>	<u>695,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,274)</u>	<u>36,342</u>	<u>(72,932)</u>
Other financing sources (uses):			
Operating transfers in	88,795	72,148	160,943
Operating transfers out	-	(97,492)	(97,492)
Total other financing sources (uses)	<u>88,795</u>	<u>(25,344)</u>	<u>63,451</u>
Net change in fund balances	(20,479)	10,998	(9,481)
Fund balances beginning of year, as restated	<u>325,298</u>	<u>140,382</u>	<u>465,680</u>
Fund balances end of year	<u>\$ 304,819</u>	<u>151,380</u>	<u>456,199</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 18)** \$ (9,481)

**Amounts reported for governmental activities in the  
Statement of Activities are different because:**

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	183,042	
Depreciation expense	<u>(27,107)</u>	155,935

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt principal repaid	74,100	
Decrease in accrued interest	<u>246</u>	74,346

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2004

Decrease in compensated absences expense reported in the  
statement of activities does not require the use of current  
financial resources and, therefore, is not reported as an  
expenditure in the governmental funds

746

**Change in net assets of governmental activities**

\$ 221,546

See notes to financial statements.



City of West Bend, Iowa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
<b>Assets</b>				
Cash	\$ 28,467	229,304	1,824,996	928,857
Accounts receivable	17,154	21,037	129,324	61,350
Interest receivable	14	70	1,950	945
Prepaid expenses	1,621	640	18,358	3,354
Inventory	9,995	245	90,879	7,476
Due from other funds	-	-	-	298,752
Restricted cash	-	-	467,667	-
Cost of obtaining gas allocation	-	-	-	1,650
Bond issuance costs	-	5,775	10,942	-
Patronage dividends receivable	-	-	12,000	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	24,095	229,860	-
Buildings and equipment	1,349,473	1,154,343	4,311,035	340,952
Less accumulated depreciation	<u>(519,459)</u>	<u>(347,796)</u>	<u>(2,368,322)</u>	<u>(261,498)</u>
<b>Total assets</b>	<u>888,265</u>	<u>1,087,713</u>	<u>4,733,439</u>	<u>1,381,838</u>
<b>Liabilities</b>				
Accounts payable	2,345	403	51,747	15,757
Salaries payable	198	198	1,538	1,006
Sales tax payable	-	-	-	1,895
Interest payable	-	1,873	5,027	-
Due to other funds	57,852	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	490	490	4,756	2,544
Bonds, notes, and loans payable	<u>-</u>	<u>544,000</u>	<u>1,662,978</u>	<u>12,978</u>
<b>Total liabilities</b>	<u>60,885</u>	<u>546,964</u>	<u>1,726,046</u>	<u>34,180</u>

City of West Bend, Iowa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	<u>Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	831,014	286,642	514,345	66,476
Restricted for:				
Electric sinking	-	-	51,939	-
Electric improvements	-	-	467,667	-
Unrestricted:				
Reserved for improvements	18,678	-	1,552,578	-
Unrestricted, unreserved	<u>(22,312)</u>	<u>254,107</u>	<u>420,864</u>	<u>1,281,182</u>
<b>Total net assets</b>	<u><u>\$ 827,380</u></u>	<u><u>540,749</u></u>	<u><u>3,007,393</u></u>	<u><u>1,347,658</u></u>

See notes to financial statements.

# Exhibit G

Other Nonmajor Proprietary	
<u>Funds</u>	<u>Total</u>
9,475	3,021,099
10,447	239,312
3	2,982
-	23,973
-	108,595
-	298,752
5,701	473,368
-	1,650
-	16,717
-	12,000
-	5,750
-	253,955
-	7,155,803
-	(3,497,075)
<u>25,626</u>	<u>8,116,881</u>
6,183	76,435
-	2,940
-	1,895
-	6,900
-	57,852
5,701	5,701
-	8,280
-	2,219,956
<u>11,884</u>	<u>2,379,959</u>

(continued)

Exhibit G

<u>Other</u> <u>Nonmajor</u> <u>Proprietary</u> <u>Funds</u>	<u>Total</u>
-	1,698,477
-	51,939
-	467,667
-	1,571,256
<u>13,742</u>	<u>1,947,583</u>
<u>13,742</u>	<u>5,736,922</u>

City of West Bend, Iowa  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year ended June 30, 2004

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 103,132	141,855	983,063	700,139
Miscellaneous	<u>963</u>	<u>40</u>	<u>20,453</u>	<u>664</u>
Total operating revenues	<u>104,095</u>	<u>141,895</u>	<u>1,003,516</u>	<u>700,803</u>
Operating expenses:				
Business type activities:				
Personal services	18,446	17,259	141,280	95,974
Contractual services	2,155	1,154	474,717	469,185
Utilities	12,431	1,148	16,826	5,797
Repairs and maintenance	15,503	1,326	58,578	1,637
Other supplies and expenses	21,066	2,182	47,648	8,401
Depreciation	43,569	47,910	131,041	10,808
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>-</u>
Total operating expenses	<u>113,170</u>	<u>71,392</u>	<u>870,698</u>	<u>591,802</u>
Operating income (loss)	(9,075)	70,503	132,818	109,001
Non-operating revenues (expenses):				
Interest income	248	1,574	22,916	16,846
Miscellaneous revenue	-	-	5,000	-
Interest expense	<u>(2,655)</u>	<u>(23,283)</u>	<u>(25,133)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(2,407)</u>	<u>(21,709)</u>	<u>2,783</u>	<u>16,846</u>
Net income (loss) before transfers	(11,482)	48,794	135,601	125,847
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(34,225)</u>	<u>(29,225)</u>
Change in net assets	(11,482)	48,794	101,376	96,622
Net assets beginning of year	<u>838,862</u>	<u>491,955</u>	<u>2,906,017</u>	<u>1,251,036</u>
Net assets end of year	<u>\$ 827,380</u>	<u>540,749</u>	<u>3,007,393</u>	<u>1,347,658</u>
See notes to financial statements.				

# Exhibit H

Other Nonmajor Proprietary Funds	Total
84,693	2,012,882
-	22,120
<u>84,693</u>	<u>2,035,002</u>
-	272,959
76,742	1,023,953
-	36,202
-	77,044
3,393	82,690
-	233,328
-	1,021
<u>80,135</u>	<u>1,727,197</u>
4,558	307,805
45	41,629
-	5,000
-	(51,071)
<u>45</u>	<u>(4,442)</u>
4,603	303,363
-	(63,450)
4,603	239,913
<u>9,139</u>	<u>5,497,009</u>
<u>13,742</u>	<u>5,736,922</u>

City of West Bend, Iowa  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2004

	Enterprise Funds			
	Water <u>Utility</u>	Sewer <u>Utility</u>	Electric <u>Utility</u>	Gas <u>Utility</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 99,629	135,456	946,282	677,513
Payments to suppliers and employees	<u>(71,349)</u>	<u>(23,626)</u>	<u>(736,507)</u>	<u>(578,586)</u>
Net cash provided by operating activities	<u>28,280</u>	<u>111,830</u>	<u>209,775</u>	<u>98,927</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(34,225)</u>	<u>(29,225)</u>
Net cash provided by (used) in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(34,225)</u>	<u>(29,225)</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from capital debt	-	-	1,638,450	-
Receipts (payments) from inter-fund loans	(15,344)	-	-	24,444
Purchases of capital assets	(82,883)	(24,095)	(368,805)	(23,015)
Sale of capital assets	-	-	5,000	-
Principal paid on capital debt	-	(28,000)	-	-
Interest paid on capital debt	(2,655)	(23,380)	(20,106)	-
Other receipts (payments)	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
Net cash provided by (used) in capital and related financing activities	<u>(100,882)</u>	<u>(75,475)</u>	<u>1,254,539</u>	<u>1,729</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends	<u>401</u>	<u>1,530</u>	<u>21,396</u>	<u>16,747</u>
Net cash provided by investing activities	<u>401</u>	<u>1,530</u>	<u>21,396</u>	<u>16,747</u>
Net increase (decrease) in cash and cash equivalents	(72,201)	37,885	1,451,485	88,178
Cash and cash equivalents beginning of year	<u>100,668</u>	<u>191,419</u>	<u>841,178</u>	<u>840,679</u>
Cash and cash equivalents end of year	<u>\$ 28,467</u>	<u>229,304</u>	<u>2,292,663</u>	<u>928,857</u>

City of West Bend, Iowa  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2004

	Enterprise Funds			
	Water <u>Utility</u>	Sewer <u>Utility</u>	Electric <u>Utility</u>	Gas <u>Utility</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (9,075)	70,503	132,818	109,001
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	43,570	47,910	131,041	10,808
Amortization expense	-	413	608	-
Change in assets and liabilities:				
Receivables, net	(4,467)	(6,439)	(57,234)	(23,290)
Consumer deposits	-	-	-	-
Prepaid expenses	109	(327)	(1,644)	121
Inventory	805	232	(3,696)	(414)
Accounts and other payables	(2,796)	198	6,917	277
Accrued expenses	134	(660)	965	2,424
Net cash provided by operating activities	<u>\$ 28,280</u>	<u>111,830</u>	<u>209,775</u>	<u>98,927</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>				
<b>Current assets:</b>				
Cash	\$ 28,467	229,403	1,824,996	928,857
<b>Noncurrent assets:</b>				
Cash	<u>-</u>	<u>-</u>	<u>467,667</u>	<u>-</u>
<b>Cash and cash equivalents at year end</b>	<u>\$ 28,467</u>	<u>229,403</u>	<u>2,292,663</u>	<u>928,857</u>

See notes to financial statements.



Exhibit I

Other Nonmajor Proprietary Funds	Total
80,860	1,939,740
<u>(80,389)</u>	<u>(1,490,457)</u>
<u>471</u>	<u>449,283</u>
 <u>-</u>	 <u>(63,450)</u>
 <u>-</u>	 <u>(63,450)</u>
 -	1,638,450
-	9,100
-	(498,798)
-	5,000
-	(28,000)
-	(46,141)
<u>-</u>	<u>300</u>
 <u>-</u>	 <u>1,079,911</u>
 42	40,116
<u>42</u>	<u>40,116</u>
 513	1,505,860
<u>14,663</u>	<u>1,988,607</u>
<u>15,176</u>	<u>3,494,467</u>

(continued)

# Exhibit I

Other Nonmajor Proprietary Funds	Total
4,558	307,805
-	233,329
-	1,021
(3,526)	(94,956)
(307)	(307)
-	(1,741)
-	(3,073)
(254)	4,342
-	2,863
<u>471</u>	<u>449,283</u>

9,475      3,021,198

5,701      473,368

15,176      3,494,566

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

The City of West Bend is a political subdivision of the State of Iowa located in Palo Alto and Kossuth counties. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Bend provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water, sewer, electric, gas, and sanitation utilities.

The financial statements of the City of West Bend have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of West Bend has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Palo Alto County Joint E911 Service Board and Palo Alto and Kossuth County Compensation boards.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Electric Fund is used to account for the operation and maintenance of the City's electric utilities.

The Gas Fund is used to account for the operation and maintenance of City's gas system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than twelve months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2003.

Customer Accounts – Accounts receivable are recorded in the Enterprise Fund at the time the service is billed. Bad debt reserve of \$1,500 is netted against the balance of customer accounts.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories of materials and supplies are valued at cost using the first-in/first-out method. Inventories are recorded as expenses when consumed rather than when purchased.



City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and funds set aside through the City's agreement with North Iowa Municipal Electric Cooperative Association (NIMECA).

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 15,000
Equipment and vehicles	1,000
Infrastructure	20,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

The City has not retroactively capitalized infrastructure assets in the governmental funds in the government-wide statements. Under current accounting standards, the City is not required to retroactively capitalize infrastructure.

Bond Issuance Costs – Bond issuance costs associated with revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to

pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax that will not be recognized as revenue until the year for which is levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash**

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No.3.

City of West Bend, Iowa  
Notes to Financial Statements

June 30, 2004

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

<b>Primary Government</b>	Balance Beginning of Year (as restated, note 11)	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,537	---	---	3,537
Construction in progress	---	7,266	---	7,266
Total capital assets not being depreciated	<u>3,537</u>	<u>7,266</u>	<u>---</u>	<u>10,803</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	---	8,433	---	8,433
Machinery, equipment and vehicles	179,784	129,617	---	309,401
Infrastructure, road network	---	50,705	---	50,705
Total capital assets being depreciated	<u>320,784</u>	<u>188,755</u>	<u>---</u>	<u>509,539</u>
Less accumulated depreciation for:				
Buildings	129,217	3,153	---	132,370
Improvements other than buildings	---	843	---	843
Machinery, equipment and vehicles	116,380	21,421	---	137,801
Infrastructure, road network	---	1,690	---	1,690
Total accumulated depreciation	<u>245,597</u>	<u>27,107</u>	<u>---</u>	<u>272,704</u>
Total capital assets being depreciated, net	<u>75,187</u>	<u>161,648</u>	<u>---</u>	<u>236,835</u>
Governmental activities capital assets, net	<u>\$ 78,724</u>	<u>168,914</u>	<u>---</u>	<u>247,638</u>

Included in machinery, equipment and vehicles is equipment valued at \$12,979 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$1,298 and accumulated depreciation of \$1,298.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

	Balance Beginning (as restated, <u>Note 11</u>	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>30,481</u>	<u>231,955</u>	<u>8,481</u>	<u>253,955</u>
Total capital assets not being depreciated	<u>36,231</u>	<u>231,955</u>	<u>8,481</u>	<u>259,705</u>
Capital assets being depreciated:				
Buildings	2,806,271	91,364	---	2,897,635
Improvements other than buildings	---	---	---	---
Machinery, equipment and vehicles	429,712	164,731	19,040	575,403
Infrastructure, sewer, water, electric, gas networks	<u>3,637,580</u>	<u>45,185</u>	<u>---</u>	<u>3,682,765</u>
Total capital assets being depreciated	<u>6,873,563</u>	<u>301,280</u>	<u>19,040</u>	<u>7,155,803</u>
Less accumulated depreciation for:				
Buildings	1,439,149	81,064	---	1,520,213
Improvements other than buildings	---	---	---	---
Machinery, equipment and vehicles	391,902	34,721	19,040	407,583
Infrastructure, sewer, water, electric, gas networks	<u>1,451,735</u>	<u>117,544</u>	<u>---</u>	<u>1,569,279</u>
Total accumulated depreciation	<u>3,282,786</u>	<u>233,329</u>	<u>19,040</u>	<u>3,497,075</u>
Total capital assets being depreciated, net	<u>3,590,777</u>	<u>67,951</u>	<u>---</u>	<u>3,658,728</u>
Business type activities capital assets, net	<u>\$ 3,627,008</u>	<u>299,906</u>	<u>8,481</u>	<u>3,918,433</u>

Included in machinery, vehicles and vehicles is equipment valued at \$49,186 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$3,279 and accumulated depreciation of \$3,279.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

Public safety	\$ 4,407
Public works, which includes the depreciation of general infrastructure assets	13,835
Culture and recreation	8,480
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ <u>27,107</u> =====

Business type activities:

Water	\$ 43,570
Sewer	47,910
Electric	131,041
Gas	<u>10,808</u>
Total depreciation expense – business type activities	\$ <u>233,329</u> =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

**(4) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year (as restated, <u>Note 11</u> )	<u>Increases</u>	<u>Decreases</u>	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
Corporate purpose	\$ 95,000	---	30,000	65,000	35,000
Water improvements	370,000	---	35,000	335,000	40,000
Capital lease	---	<u>12,979</u>	<u>---</u>	<u>12,979</u>	<u>12,979</u>
Total	<u>\$ 465,000</u>	<u>12,979</u>	<u>65,000</u>	<u>412,979</u>	<u>87,979</u>

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Electric	\$ ---	1,650,000	---	1,650,000	65,000
Sewer	572,000	---	28,000	544,000	30,000
Capital lease	---	<u>25,956</u>	<u>---</u>	<u>25,956</u>	<u>25,956</u>
Total	<u>\$ 572,000</u>	<u>1,675,956</u>	<u>28,000</u>	<u>2,219,956</u>	<u>120,956</u>



City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$400,000, are outstanding at June 30, 2004. General obligation bonds bear interest at rates ranging from 3.60% to 5.40% and mature in varying annual amounts, ranging from \$30,000 to \$50,000, with the final maturities due in the year ending June 30, 2012.

Details of general obligation/bonds/notes payable at June 30, 2004 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2004</u>
General obligation bonds/notes:						
Corporate purpose	June 1, 1996	5.25%-5.40%	June 30, 2006	30,000-35,000	\$ 250,000	\$ 65,000
Corporate purpose	April 1, 2002	3.60%-5.10%	June 30, 2012	35,000-50,000	400,000	<u>335,000</u>
Total governmental activities						<u>\$ 400,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending	<u>General Obligation</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 65,000	19,068	84,068
2006	75,000	16,095	91,095
2007	40,000	12,525	52,525
2008	40,000	10,765	50,765
2009	40,000	8,925	48,925
2010-2012	<u>140,000</u>	<u>14,355</u>	<u>154,355</u>
Total	\$ <u>400,000</u>	<u>81,733</u>	<u>481,733</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

Revenue notes

Two issues of unmatured revenue bonds/notes, totaling \$2,194,000, are outstanding at June 30, 2004. These bonds/notes bear interest at rates of 1.60% to 4.70% and mature in varying annual amounts ranging from \$30,000 to \$135,000, with the final maturities due in the year ending June 30, 2022.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate hotel and motel tax revenue, sewer and water bond sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2004, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2004 are as follows:

Business type activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2004</u>
Revenue bonds/notes:						
Electric revenue	Feb. 1, 2004	1.60%-4.70%	June 1, 2022	65,000-135,000	\$ 1,650,000	\$ 1,650,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	4.19%	June 30, 2018	30,000-50,000	699,000	<u>544,000</u>
Total business type activities						<u>\$ 2,194,000</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending <u>June 30,</u>	Revenue			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	\$ 95,000	23,205	118,205	202,273
2006	95,000	22,208	117,208	208,303
2007	102,000	21,219	123,219	175,744
2008	103,000	19,997	122,997	173,762
2009	105,000	18,748	123,748	172,673
2010-2014	605,000	74,407	679,407	833,762
2015-2019	709,000	37,680	746,680	746,680
2020-2022	<u>380,000</u>	<u>17,495</u>	<u>397,495</u>	<u>397,495</u>
Total	\$ <u>2,194,000</u>	<u>234,959</u>	<u>2,428,959</u>	<u>2,910,692</u>

Other Than Bonded Debt

Capital lease purchase agreement:

The City entered into a capital lease agreement to purchase a Case wheel loader with a historical cost of \$58,935. The following is a schedule of the future minimum lease payments, including interest of 4.75% per year, and net present value of minimum lease payments under the agreements in effect at June 30, 2004.

Year Ending <u>June 30,</u>	
2005	\$ 21,127
2006	<u>21,126</u>
Total minimum lease payments	42,253
Less amount representing interest	<u>(3,318)</u>
Net present value of minimum lease payments	\$ 38,935
	=====

A down payment of \$20,000 was made under this capital lease purchase agreement for the year ended June 30, 2004.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 2,000
	TIF	23,345
	Enterprise:	
	Electric	34,225
	Gas	<u>29,225</u>
		<u>88,795</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	20,000
	TIF	<u>52,148</u>
		<u>72,148</u>
Total		<u>\$ 160,943</u>
		=====

Transfers generally move resources from the fund statutorily required to correct the resources to the fund statutorily required to expend the resources.

**(6) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	Enterprise	
Gas	Water	\$ 57,852
	Special Revenue	
	TIF	<u>240,900</u>
Total		<u>\$ 298,752</u>
		=====

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

City of West Bend, Iowa  
Notes to Financial Statements  
June 30, 2004

**(7) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.9%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07% respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29% respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$15,667, \$17,181 and \$17,718 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The City of West Bend is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Construction in Progress**

The City of West Bend is in the process of participating in the construction of a generating plant in Council Bluffs. As of June 30, 2004, \$229,860 has been expended on this project. The remaining amount to be expended is unknown at this time.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

The City of West Bend is also in the process of making improvements to its sewer and storm sewer systems. As of June 30, 2004, \$31,361 has been expended on this project. The remaining amount to be expended is unknown at this time.

**(10) Deficit Fund Balance**

The Debt Service Fund had a deficit balance of \$10,496 at June 30, 2004. The deficit balance was a result of interest payments being paid before property taxes were collected. This deficit will be eliminated upon receipt of property taxes.

**(11) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor governmental funds are presented in total in one column.

The government-wide financial statements report the City’s governmental and business type activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2004

The effects of the accounting change and other restatements are summarized as follows:

Governmental activities:	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 462,100
Property tax receivable	2,117
Accounts receivable	713
Interest receivable	310
Intergovernmental receivable	8,885
Prepaid expenses	11,697
Accounts payable	(19,192)
Accrued payroll	<u>(950)</u>
Net assets, July 1, 2003, as restated for governmental funds	<u>465,680</u>
 GASB 34 adjustments:	
Compensated absences	(1,475)
Capital assets, net of accumulated depreciation of \$245,597	78,724
Long-term liabilities, including accrued interest	<u>(716,826)</u>
Net assets July 1, 2003, as restated	<u>(173,897)</u>
	=====
 Business type activities:	
	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 5,502,534
Accounts receivable	6,921
Accounts payable	(6,437)
Consumer deposits	<u>(6,009)</u>
Net assets, July 1, 2003, as restated	<u>5,497,009</u>
	=====

## **Required Supplementary Information**



City of West Bend, Iowa

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) -  
Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 193,009	-	193,009
Tax increment financing	93,073	-	93,073
Other city tax	58,820	-	58,820
Licenses and permits	3,283	-	3,283
Use of money and property	5,849	22,696	28,545
Intergovernmental	224,952	-	224,952
Charges for service	8,578	1,921,095	1,929,673
Special assessments	-	2,776	2,776
Miscellaneous	<u>21,657</u>	<u>42,214</u>	<u>63,871</u>
Total receipts	<u>609,221</u>	<u>1,988,781</u>	<u>2,598,002</u>
Disbursements:			
Public safety	89,992	-	89,992
Public works	178,026	-	178,026
Culture and recreation	140,697	-	140,697
Community and economic development	175,995	-	175,995
General government	31,380	-	31,380
Debt service	87,203	-	87,203
Business type activities	<u>-</u>	<u>2,077,444</u>	<u>2,077,444</u>
Total disbursements	<u>703,293</u>	<u>2,077,444</u>	<u>2,780,737</u>
Excess (deficiency) of receipts over (under) disbursements	(94,072)	(88,663)	(182,735)
Other financing sources (uses), net	<u>63,450</u>	<u>1,575,000</u>	<u>1,638,450</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(30,622)	1,486,337	1,455,715
Balances beginning of year	<u>462,100</u>	<u>1,554,659</u>	<u>2,016,759</u>
Balances end of year	<u>\$ 431,478</u>	<u>3,040,996</u>	<u>3,472,474</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
192,085	192,085	924
73,000	108,000	(14,927)
48,406	51,906	6,914
2,125	2,625	658
9,250	9,250	19,295
283,275	283,275	(58,323)
1,745,659	1,820,659	109,014
-	-	2,776
<u>569,125</u>	<u>643,325</u>	<u>(579,454)</u>
<u>2,922,925</u>	<u>3,111,125</u>	<u>(513,123)</u>
94,910	94,610	4,618
190,283	195,283	17,257
153,703	155,203	14,506
215,100	252,801	76,806
39,574	39,574	8,194
86,905	87,205	2
<u>2,142,450</u>	<u>2,284,449</u>	<u>207,005</u>
<u>2,922,925</u>	<u>3,109,125</u>	<u>328,388</u>
-	2,000	(184,735)
<u>-</u>	<u>(2,000)</u>	<u>1,640,450</u>
-	-	1,455,715
<u>2,026,330</u>	<u>2,026,330</u>	<u>(9,571)</u>
<u>2,026,330</u>	<u>2,026,330</u>	<u>1,446,144</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds			Proprietary Funds		
	Cash	Accrual	Modified	Cash	Accrual	
	<u>Basis</u>	<u>Adjust-</u>	<u>Accrual</u>	<u>Basis</u>	<u>ments</u>	<u>Basis</u>
		<u>ments</u>	<u>Basis</u>			
Revenues	\$ 609,221	12,974	622,195	1,988,781	92,851	2,081,632
Expenditures/expenses	<u>(703,293)</u>	<u>8,167</u>	<u>(695,126)</u>	<u>(2,077,444)</u>	<u>299,175</u>	<u>(1,778,269)</u>
Net	(94,072)	21,141	(72,931)	(88,663)	392,026	303,363
Other financing sources, net	63,450	-	63,450	1,575,000	(1,638,450)	(63,450)
Beginning fund balances/net assets as restated	<u>462,100</u>	<u>3,580</u>	<u>465,680</u>	<u>1,554,659</u>	<u>3,942,350</u>	<u>5,497,009</u>
Ending fund balances/net assets	<u>\$ 431,478</u>	<u>24,721</u>	<u>456,199</u>	<u>3,040,996</u>	<u>2,695,926</u>	<u>5,736,922</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$191,501 and increased budgeted disbursements by \$191,501. These budget amendments are reflected in the final budgeted amounts.

## **Other Supplementary Information**

City of West Bend, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue			
	<u>Road Use</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
<b>Assets</b>				
Cash	\$ 45,316	12,138	67,556	11,508
Receivables:				
Property tax:				
Delinquent	-	321	-	-
Succeeding year	-	26,000	-	-
Accounts	-	-	-	-
Accrued interest	-	-	63	-
Due from other governments	-	-	3,896	3,100
<b>Total assets</b>	<u>\$ 45,316</u>	<u>38,459</u>	<u>71,515</u>	<u>14,608</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	-	-	-
Accounts payable	1,709	-	-	-
Salaries payable	-	-	-	-
Benefits payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	26,000	-	-
Other	-	-	-	-
Total liabilities	<u>1,709</u>	<u>26,000</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved reported in:				
Special revenue funds	43,607	12,459	71,515	14,608
Debt service fund	-	-	-	-
Total fund equity	<u>43,607</u>	<u>12,459</u>	<u>71,515</u>	<u>14,608</u>
<b>Total liabilities and fund equity</b>	<u>\$ 45,316</u>	<u>38,459</u>	<u>71,515</u>	<u>14,608</u>

See accompanying independent auditor's report.

## Schedule 1

<u>TIF</u>	<u>Trust and Agency</u>	<u>Debt Service</u>	<u>Total</u>
46	17,673	-	154,237
1,945	-	156	2,422
-	-	33,000	59,000
-	-	-	-
-	23	-	86
-	-	-	6,996
<u>1,991</u>	<u>17,696</u>	<u>33,156</u>	<u>222,741</u>
-	-	10,652	10,652
-	-	-	1,709
-	-	-	-
-	-	-	-
-	-	33,000	59,000
-	-	-	-
<u>-</u>	<u>-</u>	<u>43,652</u>	<u>71,361</u>
1,991	17,696	-	161,876
-	-	(10,496)	(10,496)
<u>1,991</u>	<u>17,696</u>	<u>(10,496)</u>	<u>151,380</u>
<u>1,991</u>	<u>17,696</u>	<u>33,156</u>	<u>222,741</u>

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

		Special Revenue		
	<u>Road Use</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Revenues:				
Property tax	\$ -	37,820	-	-
Tax increment financing	-	-	-	-
Other city tax	-	57	42,205	14,438
Use of money and property	-	-	195	-
Intergovernmental	69,461	-	-	-
Total revenues	<u>69,461</u>	<u>37,877</u>	<u>42,400</u>	<u>14,438</u>
Expenditures:				
Operating:				
Public safety:				
Police	-	12,066	-	-
	<u>-</u>	<u>12,066</u>	<u>-</u>	<u>-</u>
Public works:				
Roadway maintenance	72,742	-	27,000	-
	<u>72,742</u>	<u>-</u>	<u>27,000</u>	<u>-</u>
Culture and recreation:				
Library	-	14,466	-	-
Parks	-	232	-	-
Ice skating	-	185	-	-
Summer pool	-	1,003	-	-
Other	-	-	-	4,200
	<u>-</u>	<u>15,886</u>	<u>-</u>	<u>4,200</u>
Community and economic development:				
Economic development	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General government:				
Mayor/council	-	206	-	-
City clerk/treasurer	-	31	-	-
	<u>-</u>	<u>237</u>	<u>-</u>	<u>-</u>
Debt service	-	-	-	-
Total expenditures	<u>72,742</u>	<u>28,189</u>	<u>27,000</u>	<u>4,200</u>
Excess (deficiency) of revenues over (under) expenditures	(3,281)	9,688	15,400	10,238



City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue			
	<u>Road Use</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/ Motel Tax</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(20,000)	(2,000)
Total other financing sources (uses)	-	-	(20,000)	(2,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,281)	9,688	(4,600)	8,238
Fund balances beginning of year	46,888	2,771	76,115	6,370
Fund balances end of year	<u>\$ 43,607</u>	<u>12,459</u>	<u>71,515</u>	<u>14,608</u>

See accompanying independent auditor's report.

## Schedule 2

<u>TIF</u>	<u>Trust and Agency</u>	<u>Debt Service</u>	<u>Total</u>
-	-	15,123	52,943
94,079	-	-	94,079
-	-	19	56,719
-	129	-	324
-	-	-	69,461
<u>94,079</u>	<u>129</u>	<u>15,142</u>	<u>273,526</u>
-	-	-	12,066
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,066</u>
-	-	-	99,742
<u>-</u>	<u>-</u>	<u>-</u>	<u>99,742</u>
-	-	-	14,466
-	-	-	232
-	-	-	185
-	-	-	1,003
-	-	-	4,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,086</u>
<u>17,850</u>	<u>-</u>	<u>-</u>	<u>17,850</u>
<u>17,850</u>	<u>-</u>	<u>-</u>	<u>17,850</u>
-	-	-	206
<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>237</u>
-	-	87,203	87,203
<u>17,850</u>	<u>-</u>	<u>87,203</u>	<u>237,184</u>
76,229	129	(72,061)	36,342

(continued)

## Schedule 2

<u>TIF</u>	<u>Trust and Agency</u>	<u>Debt Service</u>	<u>Total</u>
-	-	72,148	72,148
<u>(75,492)</u>	<u>-</u>	<u>-</u>	<u>(97,492)</u>
<u>(75,492)</u>	<u>-</u>	<u>72,148</u>	<u>(25,344)</u>
737	129	87	10,998
<u>1,254</u>	<u>17,567</u>	<u>(10,583)</u>	<u>140,382</u>
<u>1,991</u>	<u>17,696</u>	<u>(10,496)</u>	<u>151,380</u>

## Combining Statement of Net Assets

## Nonmajor Proprietary Funds

June 30, 2004

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash	\$ 5,701	9,475	15,176
Accounts receivable	-	10,447	10,447
Interest receivable	-	3	3
	<u>5,701</u>	<u>19,925</u>	<u>25,626</u>
Total assets	<u>5,701</u>	<u>19,925</u>	<u>25,626</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	6,183	6,183
Consumer deposits	5,701	-	5,701
Total liabilities	<u>5,701</u>	<u>6,183</u>	<u>11,884</u>
<b>Net assets</b>			
Unrestricted	-	13,742	13,742
	<u>-</u>	<u>13,742</u>	<u>13,742</u>
Total net assets	<u>-</u>	<u>13,742</u>	<u>13,742</u>
Total liabilities and net assets	<u>\$ 5,701</u>	<u>19,925</u>	<u>25,626</u>

See accompanying independent auditor's report.

## Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

## Nonmajor Proprietary Funds

For the Year ended June 30, 2004

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ -	84,693	84,693
Total operating revenues	-	84,693	84,693
Operating expenses:			
Business type activities:			
Contractual services	-	76,742	76,742
Other supplies and expenses	-	3,393	3,393
Total operating expenses	-	80,135	80,135
Operating income	-	4,558	4,558
Non-operating revenues (expenses):			
Interest and investment revenue	-	45	45
Total non-operating revenue (expenses)	-	45	45
Net income before transfers	-	4,603	4,603
Transfers (out) in	-	-	-
Change in net assets	-	4,603	4,603
Net assets beginning of year	-	9,139	9,139
Net assets end of year	\$ -	13,742	13,742

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

Year ended June 30, 2004

	Modified Accrual Basis <u>2004</u>
Revenues:	
Property tax	\$ 193,519
Tax increment financing revenue	94,079
Other city tax	56,931
Licenses and permits	3,283
Use of money and property	5,899
Intergovernmental	238,550
Charges for service	8,478
Miscellaneous	<u>21,455</u>
Total	<u><u>\$ 622,194</u></u>
Expenditures:	
Operating:	
Public safety	\$ 91,467
Public works	178,388
Culture and recreation	131,270
Community and economic development	175,995
General government	30,803
Debt service	<u>87,203</u>
Total	<u><u>\$ 695,126</u></u>

See accompanying independent auditor's report.

City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Water Utility  
Years ended June 30, 2004 and 2003

Schedule 6

	<u>6-30-04</u>	<u>6-30-03</u>
Operating revenues:		
Metered sales	\$ 103,132	\$ 100,756
Miscellaneous	<u>963</u>	<u>3,205</u>
Total operating revenue	<u>104,095</u>	<u>103,961</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	13,220	12,850
Payroll taxes and benefits	4,832	6,110
Utilities	12,431	10,155
Salt and supplies	18,841	14,600
Building and equipment maintenance	15,459	13,584
Insurance	2,403	2,973
Miscellaneous	<u>2,415</u>	<u>5,262</u>
	<u>69,601</u>	<u>65,534</u>
Depreciation:		
Water tower	7,845	6,342
Treatment plant	35,042	28,073
Equipment	682	1,099
Add back depreciation on contributed capital	<u>-</u>	<u>(14,209)</u>
	<u>43,569</u>	<u>21,305</u>
Total operating expenses	<u>113,170</u>	<u>86,839</u>
Operating income (loss)	(9,075)	17,122
Non-operating revenues (expenses):		
Interest income	248	1,579
Interest expense	<u>(2,655)</u>	<u>(3,250)</u>
Net income (loss)	<u>\$ (11,482)</u>	<u>\$ 15,451</u>

See accompanying independent auditor's report.

City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Sewer Utility  
Years ended June 30, 2004 and 2003

Schedule 7

	<u>6-30-04</u>	<u>6-30-03</u>
Operating revenues:		
Sewer rental charges	\$ 141,855	\$ 135,446
Miscellaneous	40	-
Total operating revenue	<u>141,895</u>	<u>135,446</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	12,426	33,853
Payroll taxes and benefits	4,832	10,822
Utilities	1,148	1,175
Maintenance and repair	1,480	4,903
Insurance	578	940
Professional fees	414	1,532
Supplies	830	999
Miscellaneous	1,774	1,572
	<u>23,482</u>	<u>55,796</u>
Depreciation:		
Furniture and fixtures	249	942
Sewer plant	47,661	47,661
Add back depreciation on federal grants	-	(14,403)
	<u>47,910</u>	<u>34,200</u>
Total operating expenses	<u>71,392</u>	<u>89,996</u>
Operating income	70,503	45,450
Non-operating revenues (expenses):		
Interest income	1,574	1,732
Interest expense	<u>(23,283)</u>	<u>(24,439)</u>
Net income before operating transfer	48,794	22,743
Interfund transfer	<u>-</u>	<u>(4,406)</u>
Net income	<u>\$ 48,794</u>	<u>\$ 18,337</u>

See accompanying independent auditor's report.



City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Electric Utility  
Years ended June 30, 2004 and 2003

Schedule 8

	<u>6-30-04</u>	<u>6-30-03</u>
Operating revenues:		
Metered sales	\$ 983,063	\$ 874,651
Miscellaneous	<u>20,453</u>	<u>12,090</u>
Total operating revenue	<u>1,003,516</u>	<u>886,741</u>
Operating expenses:		
Production:		
Salaries	32,893	35,470
Payroll taxes and benefits	11,292	10,967
Electric energy purchased	436,624	358,755
Maintenance - Plant, building and grounds	16,626	43,419
Maintenance - Engines and generators	<u>32,296</u>	<u>11,867</u>
	<u>529,731</u>	<u>460,478</u>
Distribution system maintenance:		
Salaries	20,061	21,771
Payroll taxes and benefits	6,163	6,061
Lines, poles, towers, conductors, meters, etc.	54,538	44,150
Telephone and radio	842	874
Motor vehicles	5,527	2,963
Supplies	<u>24</u>	<u>408</u>
	<u>87,155</u>	<u>76,227</u>
Collection and accounting:		
Salaries	26,896	26,243
Payroll taxes and benefits	10,510	9,452
Office supplies	2,148	3,585
Programming	<u>1,668</u>	<u>2,070</u>
	<u>41,222</u>	<u>41,350</u>
Administrative:		
Salaries	22,596	23,267
Payroll taxes and benefits	6,400	9,273
Professional fees	2,520	10,278
Travel and meetings	1,575	1,086

(continued)

City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Electric Utility  
Years ended June 30, 2004 and 2003

Schedule 8

	<u>6-30-04</u>	<u>6-30-03</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	24,063	21,735
Telephone and radio	1,636	1,590
Miscellaneous taxes	1,398	2,756
Property taxes	11,508	10,037
Miscellaneous	<u>9,853</u>	<u>7,422</u>
	<u>81,549</u>	<u>87,444</u>
Depreciation:		
Buildings	685	685
Generating plant and equipment	36,936	32,327
Distribution system	66,819	65,748
Furniture and fixtures	2,355	3,210
Vehicles	<u>24,246</u>	<u>26,115</u>
	<u>131,041</u>	<u>128,085</u>
Total operating expenses	<u>870,698</u>	<u>793,584</u>
Operating income	132,818	93,157
Non-operating revenues (expenses):		
Interest income	22,916	10,703
Interest expense	(25,133)	(1,126)
Miscellaneous	<u>5,000</u>	<u>-</u>
Net income before operating transfers	135,601	102,734
Operating transfers to governmental funds	<u>(34,225)</u>	<u>(33,948)</u>
Net income	<u>\$ 101,376</u>	<u>\$ 68,786</u>

See accompanying independent auditor's report.

City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Gas Utility  
Years ended June 30, 2004 and 2003

Schedule 9

	<u>6-30-04</u>	<u>6-30-03</u>
Operating revenues:		
Metered sales	\$ 700,139	\$ 659,012
Miscellaneous	<u>664</u>	<u>30,731</u>
Total operating revenue	<u>700,803</u>	<u>689,743</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>452,884</u>	<u>353,373</u>
Distribution system maintenance:		
Salaries	21,255	19,737
Payroll taxes and benefits	6,142	6,146
Utilities	5,003	3,816
Meters, mains, valves	1,099	8,852
Equipment and building repairs	1,434	3,562
Miscellaneous	<u>3,038</u>	<u>17,169</u>
	<u>37,971</u>	<u>59,282</u>
Collection and accounting:		
Salaries	26,896	25,259
Payroll taxes and benefits	11,212	9,451
Office supplies	2,519	2,719
Professional fees	<u>1,668</u>	<u>2,070</u>
	<u>42,295</u>	<u>39,499</u>
Administrative:		
Salaries	19,411	8,254
Payroll taxes and benefits	6,008	3,029
Insurance	8,434	7,331
Professional fees	3,792	2,827
Telephone	1,636	1,635
Meetings and travel	2,348	3,047
Amortization and gas allocating costs	300	300
Dues	2,261	2,241
Miscellaneous	<u>3,654</u>	<u>6,986</u>
	<u>47,844</u>	<u>35,650</u>

City of West Bend, Iowa  
Comparative Schedules of Revenues and Expenses  
Gas Utility  
Years ended June 30, 2004 and 2003

Schedule 9

	<u>6-30-04</u>	<u>6-30-03</u>
Operating expenses (continued):		
Depreciation:		
Buildings	555	555
Distribution systems	3,064	3,064
Furniture and fixtures	4,992	3,052
Vehicles	<u>2,197</u>	<u>6,073</u>
	<u>10,808</u>	<u>12,744</u>
 Total operating expenses	 <u>591,802</u>	 <u>500,548</u>
 Operating income	 109,001	 189,195
 Non-operating revenues:		
Interest income	<u>16,846</u>	<u>21,221</u>
 Net income before operating transfers	 125,847	 210,416
 Operating transfers to governmental funds	 (29,225)	 (28,948)
Interfund transfer	<u>-</u>	<u>4,406</u>
 Net income	 <u>\$ 96,622</u>	 <u>\$ 185,874</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of West Bend, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of West Bend's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-I-04.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Bend's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Bend and other parties to whom the City of West Bend may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Bend during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

July 30, 2004

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-04    Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04    Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04    Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04    Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-04    Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-F-04    Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-G-04    Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2004

II-H-04     Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-04     Financial Condition – The Debt Service Fund had a deficit balance at June 30, 2004 of \$10,496.

Recommendation – The City should review this account balance.

Response – The first interest payment was paid before any property taxes were levied. This fund will be in a deficit position until the final year of the bond issue when the property taxes levied will balance out the account.

Conclusion – Response accepted.

II-J-04     Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City's revenue bonds/notes were complied with.

II-K-04     Capital Lease Authorization – It was noted that the City of West Bend entered into a capital lease during the year for the purchase of equipment. However, the City did not publish this lease agreement prior to authorization.

Recommendation – The City should follow the procedures in Chapter 384 of the Code of Iowa, which includes publishing a notice of the proposed action and holding a public hearing.

Response – We did not realize these procedures needed to be followed for a capital lease authorization. We will do this the next time this situation occurs.

Conclusion – Response accepted.